S6615-2 A

# OREGON LABOR TRENDS

Corrected Copy

JULY 1989

State of Oregon • Employment Division • Department of Human Resources

## INDICATORS

**UNEMPLOYMENT RATE**

| | | |
|---|---|---|
| *Oregon (Seas. Adj.)* | | |
| June | 1989 | 5.3 |
| May | 1989 | 5.2 |
| June | 1988 | 6.0 |
| *United States (Seas. Adj.)* | | |
| June | 1989 | 5.3 |
| May | 1989 | 5.2 |
| June | 1988 | 5.4 |

**WAGE AND SALARY EMPLOYMENT INDEX**

| | | |
|---|---|---|
| *Oregon (1977=100)* | | |
| June | 1989 | 127.4 |
| May | 1989 | 127.0 |
| Apr. | 1989 | 126.8 |
| Mar. | 1989 | 126.9 |
| Feb. | 1989 | 126.4 |

**PRODUCTION WORKER AVERAGE HOURLY EARNINGS**

| | | |
|---|---|---|
| *Oregon* | | |
| May | 1989 | $10.83 |
| Apr. | 1989 | $10.83 |
| May | 1988 | $10.73 |

**PRODUCTION WORKER AVERAGE WEEKLY HOURS**

| | | |
|---|---|---|
| *Oregon* | | |
| May | 1989 | 39.6 |
| Apr. | 1989 | 40.4 |
| May | 1988 | 38.6 |

**CONSUMER PRICE INDEX (CPI)**

*1982-84=100*
*ALL URBAN CONSUMERS*

| | |
|---|---|
| *Portland-Vancouver* | |
| July-Dec. 1988 | 115.9 |
| Yearly change | 3.6% |
| Annual Average 1988 | 114.7 |
| Yearly change | 3.4% |
| *United States* | |
| June 1989 | 124.1 |
| Yearly change | 5.2% |
| Annual Average 1988 | 118.3 |
| Yearly change | 4.1% |

*Portland Hotline 221-4132*

## LET THE GOOD TIMES LAST!

*Jeff Hannum*

Who would have thought that six and a half years after the current economic expansion began and nearly two years after the October 1987 stock market crash the U.S. and Oregon economies would still be growing?

Despite the fact that economic growth has weakened this year, especially at the national level, a number of economists still think the most likely scenario for the months ahead is a "soft landing" in which economic growth slows significantly, but no actual recession (i.e. two or more quarters of decline in real output) occurs. Even those economists who are expecting a recession in the near future generally agree that it would be a relatively short-lived and mild slump.

Whatever the future holds, no one really knows, but what is clear is that the Federal Reserve will play a major role through its management of the nation's monetary policy. The Fed's low interest rate, easy money policies prior to 1987 were instrumental in bringing the dollar's foreign exchange value down and helped set the stage for strong economic growth beginning in 1987. In order to prevent the economy from over-heating and re-igniting inflation, the Fed began to drive up interest rates in early 1987. When stock markets crashed around the world in October 1987, the Fed, in concert with foreign central banks, reversed itself and pump-primed the economy allowing interest rates to fall for several months. By March 1988, it was apparent that the danger of recession, or even a depression, was past and that inflation was again the main threat. At that time, the Fed returned to its credit-tightening stance causing interest rates to jump by about three percentage points over this past year.

SEASONALLY ADJUSTED UNEMPLOYMENT RATES*

OREGON and THE UNITED STATES: 1980 to 1989

*Civilian Labor Force Only

The result has been a significant slowdown in U.S. economic growth in recent months affecting construction activity, factory orders and output, and retail sales, especially for autos and other big-ticket consumer goods. Inflation, however, at both the producer and consumer goods levels, continued to flare up until just recently. In June, producer prices actually dropped slightly, and the U.S. Consumer Price Index for All Urban Consumers (CPI-U) rose only 0.2%, the smallest gain in 16 months. In response to these weak signals, the Federal Reserve, in a major policy shift, now appears to be easing interest rates lower once again. The problem with monetary policy, however, is that it has a powerful impact on economic activity, but only after an uncertain time lag of perhaps six months to as much as two years. For this reason, the nation's economy will no doubt continue to slow in the second half of 1989, and may even run aground in 1990.

***Could it be that we are just enjoying the lull before the storm?***

Since Oregon's economic performance is heavily influenced by national trends (nearly two-thirds explained, according to a recent Federal Reserve Bank study), it is not surprising that the state's economy has also shifted into a lower gear during the first half of 1989. Considering all the problems facing Oregon's number one industry, forest products, however, our economy has fared rather well. These problems include a long strike at one major forest products company, court injunctions barring old-growth timber sales, log exports, soaring timber and raw material prices, and the sharp run-up in interest rates over the past year. Could it be that we are just enjoying the lull before the storm?

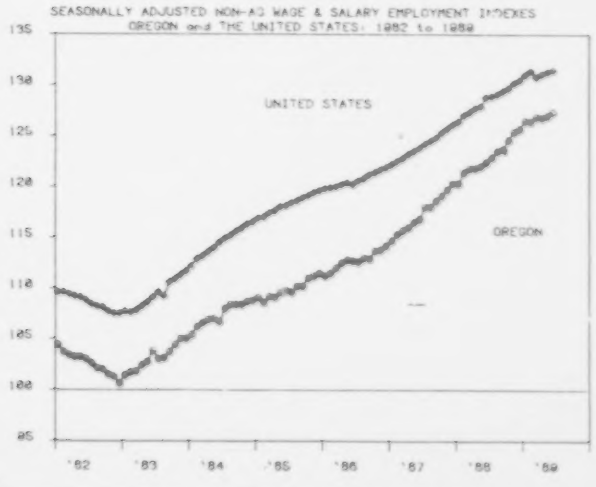
Normally, such an increase in interest rates alone would have taken a heavier toll on Oregon's economy by now. Instead, the state's seasonally adjusted unemployment rate has averaged only 5.4% during the first half of 1989. At this rate, 1989 will even eclipse last year's annual average of 5.8%-the lowest rate since the late 1960s. In addition, Oregon's employment level, overall, has never been higher. In fact, even if employment trends only adhere to normal seasonal patterns, i.e. no real growth, in the second half of this year, Oregon's nonfarm wage and salary employment would still average about 39,000, or 3.4%, higher than in 1988, itself a banner year.

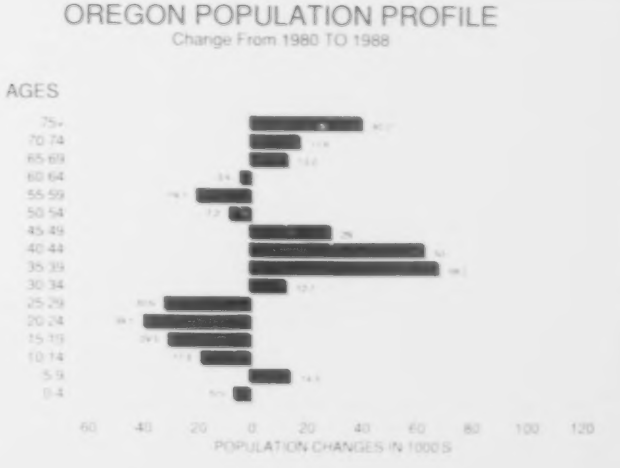
Applying this same assumption of no growth, just normal seasonal trends to all of the major industry categories during the second half of 1989 would also result in fairly strong annual average job gains over 1988 in most industries. Despite this year's higher interest rates, Oregon's construction industry, contrary to the national trend, would easily turn in the strongest performance with a nearly 10% gain in annual average employment in 1989. Solid gains would also be posted by various manufacturing industries (especially durable goods), transportation, trade, and services. Only two major industries, lumber and wood and food and kindred products, would show employment losses over the year. These, however, would be either very small (food products) or due almost entirely to a major labor dispute (lumber and wood) which was recently settled.

Current labor force statistics for Oregon covering the month of June also give no indication of an imminent recession, but do lend support to the "soft-landing" scenario of much slower growth ahead. The state's seasonally adjusted unemployment rate rose by one-tenth to 5.3% in June, matching the U.S. trend. Such a small monthly change, in either direction, has no statistical significance for either the state or nation. It is significant, however, that Oregon's seasonally adjusted unemployment rate has remained in a narrow 5.2% to 5.6% range over the past nine months. This indicates that despite somewhat slower job growth in 1989, Oregon's economy is still expanding fast enough to absorb an ever-growing labor force. In June, 1,475,800 Oregonians either had a job or were actively looking for one, an increase of about 47,000 over one year ago.

At first glance, the strong increase in Oregon's nonfarm wage and salary employment level in June (up 17,400 to 1,210,700) is reminiscent of last year's high growth rate, which placed Oregon third in the nation. Since this was 3,600 above the normal seasonal increase for June, Oregon's nonfarm employment index jumped four-tenths of a point to 127.4. Over 3,000 of this gain, however, was due to the return to work of Roseburg Forest Products workers after a four month strike. Discounting this fact means that June's employment gain mainly reflected seasonal expansion, not real economic improvement.

This same analysis explains the 4,900 increase in lumber and wood products employment in June. Although logging showed a normal seasonal increase of 900 over the month, logging employment of 12,400 was 600 below the average June level of the last six years. Court injunctions barring logging on federal old-growth forests in order to protect the viability of the northern spotted owl are no doubt the primary reason for this June's lower employment in logging.



## RESIDENT OREGON LABOR FORCE

| | JUN.[1] 1989 | MAY[2] 1989 | CHANGE | %CHANGE | JUN.[3] 1988 |
|---|---|---|---|---|---|
| CIVILIAN LABOR FORCE | 1,475,800 | 1,452,200 | 23,600 | 1.6 | 1,428,900 |
| UNEMPLOYMENT | 77,500 | 75,600 | 1,900 | 2.5 | 84,100 |
| PERCENT OF LABOR FORCE | 5.3 | 5.2 | XXX | XXX | 5.9 |
| SEASONALLY ADJUSTED PERCENT | 5.3 | 5.2 | XXX | XXX | 6.0 |
| TOTAL EMPLOYMENT | 1,398,300 | 1,376,600 | 21,700 | 1.6 | 1,344,800 |

[1] Preliminary
[2] Revised
[3] Includes employed and unemployed individuals 16 years and older. Data are adjusted for multiple job holding and commuting.
Includes nonagricultural wage and salary, self-employed, unpaid family workers, domestics, farm workers, and labor disputants.
Due to revised estimating procedures between December 1988 and January 1989, data for 1989 and that of previous years are not strictly comparable.

## NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT (BY PLACE OF WORK)

| | | | | CHANGE FROM | |
|---|---|---|---|---|---|
| INDUSTRY | JUN.[1] 1989 | MAY[2] 1989 | JUN. 1988 | MAY 1989 | JUN. 1988 |
| TOTAL | 1,210,700 | 1,193,300 | 1,163,600 | 17,400 | 47,100 |
| WAGE & SALARY EMPLOYMENT INDEX[3] | 127.4 | 127.0 | 122.4 | XXX | XXX |
| TOTAL MANUFACTURING | 221,600 | 211,400 | 215,500 | 10,200 | 6,100 |
| DURABLE GOODS | 161,500 | 155,200 | 156,300 | 6,300 | 5,200 |
| LUMBER & WOOD PRODUCTS | 69,600 | 64,700 | 68,500 | 4,900 | 1,100 |
| LOGGING & SAWMILLS | 35,300 | 33,300 | 35,300 | 2,000 | 0 |
| VENEER & PLYWOOD | 16,900 | 14,600 | 16,500 | 2,300 | 400 |
| MILLWORK & STRUCTURAL WOOD | 11,000 | 10,800 | 10,800 | 200 | 200 |
| MOBILE HOMES | 1,800 | 1,800 | 1,600 | 0 | 200 |
| OTHER WOOD PRODUCTS | 4,600 | 4,200 | 4,300 | 400 | 300 |
| FURNITURE AND FIXTURES | 2,800 | 2,800 | 2,800 | 0 | 0 |
| STONE, CLAY, GLASS & CONCRETE | 4,600 | 4,500 | 4,200 | 100 | 400 |
| PRIMARY METALS | 11,200 | 10,800 | 10,300 | 400 | 900 |
| BLAST FURNACES, IRON & STEEL | 6,600 | 6,400 | 6,000 | 200 | 600 |
| NONFERROUS METALS | 4,600 | 4,400 | 4,300 | 200 | 300 |
| FABRICATED METALS | 11,200 | 11,200 | 10,900 | 0 | 300 |
| FABRICATED STRUCTURAL METALS | 4,700 | 4,700 | 4,500 | 0 | 200 |
| OTHER FABRICATED METALS | 6,500 | 6,500 | 6,400 | 0 | 100 |
| MACHINERY | 18,600 | 18,300 | 16,900 | 300 | 1,700 |
| ELECTRICAL EQUIPMENT & SUPPLIES | 16,600 | 16,400 | 15,200 | 200 | 1,400 |
| TRANSPORTATION EQUIPMENT | 11,500 | 11,500 | 11,500 | 0 | 0 |
| INSTRUMENTS & RELATED PRODUCTS | 11,500 | 11,400 | 12,000 | 100 | -500 |
| MISCELLANEOUS MANUFACTURING | 3,900 | 3,600 | 4,000 | 300 | -100 |
| NONDURABLE GOODS | 60,100 | 56,200 | 59,200 | 3,900 | 900 |
| FOOD & KINDRED PRODUCTS | 24,400 | 21,100 | 24,400 | 3,300 | 0 |
| CANNING & PRESERVING | 12,800 | 9,700 | 13,100 | 3,100 | -300 |
| OTHER FOOD PRODUCTS | 11,600 | 11,400 | 11,300 | 200 | 300 |
| TEXTILE MILL PRODUCTS | 1,700 | 1,700 | 1,800 | 0 | -100 |
| APPAREL | 2,600 | 2,600 | 2,700 | 0 | -100 |
| PAPER & ALLIED PRODUCTS | 9,300 | 8,900 | 9,000 | 400 | 300 |
| PRINTING & PUBLISHING | 13,700 | 13,700 | 13,500 | 0 | 200 |
| CHEMICALS & ALLIED PRODUCTS | 2,400 | 2,300 | 2,200 | 100 | 200 |
| PETROLEUM REFINING | 600 | 600 | 600 | 0 | 0 |
| RUBBER & PLASTIC PRODUCTS | 4,900 | 4,800 | 4,500 | 100 | 400 |
| LEATHER PRODUCTS | 500 | 500 | 500 | 0 | 0 |
| TOTAL NONMANUFACTURING | 989,100 | 981,900 | 948,100 | 7,200 | 41,000 |
| MINING & QUARRYING | 1,600 | 1,500 | 1,400 | 100 | 200 |
| CONSTRUCTION | 44,400 | 43,200 | 40,200 | 1,200 | 4,200 |
| TRANSPORTATION, COMMUNICATIONS, & UTILITIES | 63,600 | 62,900 | 60,700 | 700 | 2,900 |
| TRANSPORTATION | 41,500 | 41,000 | 39,100 | 500 | 2,400 |
| RAILROAD | 3,800 | 3,900 | 3,900 | -100 | -100 |
| TRUCKING & WAREHOUSING | 22,900 | 22,500 | 22,100 | 400 | 800 |
| OTHER TRANSPORTATION | 14,800 | 14,600 | 13,100 | 200 | 1,700 |
| COMMUNICATIONS | 12,900 | 12,800 | 12,700 | 100 | 200 |
| UTILITIES | 9,200 | 9,100 | 8,900 | 100 | 300 |
| TRADE | 307,500 | 304,000 | 292,000 | 3,500 | 15,500 |
| WHOLESALE TRADE | 77,800 | 76,700 | 72,100 | 1,100 | 5,700 |
| DURABLE GOODS | 45,700 | 45,100 | 42,300 | 600 | 3,400 |
| NONDURABLE GOODS | 32,100 | 31,600 | 29,800 | 500 | 2,300 |
| RETAIL TRADE | 229,700 | 227,300 | 219,900 | 2,400 | 9,800 |
| GENERAL MERCHANDISE | 28,400 | 28,000 | 27,200 | 400 | 1,200 |
| FOOD STORES | 39,400 | 39,100 | 36,300 | 300 | 3,100 |
| AUTO DEALERS & SERVICE STATIONS | 28,200 | 28,200 | 28,500 | 0 | -300 |
| OTHER RETAIL TRADE | 133,700 | 132,000 | 127,900 | 1,700 | 5,800 |
| FINANCE, INSURANCE, & REAL ESTATE | 75,200 | 75,100 | 74,400 | 100 | 800 |
| BANKING & CREDIT AGENCIES | 23,500 | 23,500 | 23,900 | 0 | -400 |
| OTHER FINANCE, INSURANCE, & REAL ESTATE | 51,700 | 51,600 | 50,500 | 100 | 1,200 |
| SERVICES | 273,600 | 273,200 | 260,400 | 400 | 13,200 |
| HOTELS & PERSONAL SERVICES | 29,200 | 28,400 | 29,100 | 800 | 100 |
| HEALTH SERVICES | 83,400 | 82,100 | 77,500 | 1,300 | 5,900 |
| OTHER SERVICES | 161,000 | 162,700 | 153,800 | -1,700 | 7,200 |
| GOVERNMENT | 223,200 | 222,000 | 219,000 | 1,200 | 4,200 |
| FEDERAL GOVERNMENT | 32,700 | 31,700 | 32,800 | 1,000 | -100 |
| STATE GOVERNMENT | 61,500 | 60,500 | 60,500 | 1,000 | 1,000 |
| EDUCATION | 25,800 | 25,700 | 25,600 | 100 | 200 |
| OTHER STATE | 35,700 | 34,800 | 34,900 | 900 | 800 |
| LOCAL GOVERNMENT | 129,000 | 129,800 | 125,700 | -800 | 3,300 |
| EDUCATION | 80,700 | 82,500 | 78,600 | -1,800 | 2,100 |
| OTHER LOCAL | 48,300 | 47,300 | 47,100 | 1,000 | 1,200 |
| LABOR MANAGEMENT DISPUTES | 300 | 3,600 | 2,400 | -3,300 | -2,100 |

[1] Preliminary
[2] Revised
Includes full and part time nonfarm wage and salary workers in pay periods including the 12th of the month. Proprietors, self-employed, private household workers and armed forces excluded. Note: Estimated in cooperation with the U.S. Bureau of Labor Statistics and Employment and Training Administration. All data are based on the 1972 Standard Industrial Classification (SIC) codes as amended by the 1977 supplement.
[3] Total nonagricultural wage and salary employment, seasonally adjusted, and indexed to 1977. Data on the earlier index (1972 = 100) can be converted to the 1977 base period by multiplying by a factor of .8264, the ratio between 1972's Annual Average Employment (774,300) and that of 1977 (936,900).

Despite these restrictions, however, sawmills and planing mills added 1,100 more workers, boosting sawmill employment to 22,900, the highest June level since 1980. Most of this increase was due to returning strikers. Lumber and wood products employment, overall, was 1,100 above a year ago, but this also is misleading since 2,400 woodworkers were involved in labor disputes last June.

Unfortunately for Oregon, the "timber summit" involving federal forestry officials, representatives of the timber industry and environmental groups, and key Oregon elected officials came and went in late June with no final agreement on the complex and interrelated issues of timber supply and protection of old-growth forests and the spotted owl. It is possible, however, that the "summit" process and subsequent negotiations will yield at least a temporary legislative solution to the current impasse. In late July, the U.S. Senate will consider an amendment by Senator Mark Hatfield to an Interior Department appropriations bill. Key provisions of this amendment will address federal timber sales volume in the FY 89-90 period (8 billion board feet by the Forest Service in Region 6 and 2 billion board feet by the BLM, a 10% reduction from the amount the agencies had planned to sell); old-growth and spotted owl protection measures; and proposed agreements which would satisfy all parties to the lawsuits. If agreements are not reached on release of the injunctions, "then timber sales will be identified by the Forest Service and the BLM (using the criteria and in consultation with Fish and Wildlife, and the advisory boards) and sold notwithstanding any stay, restraining order, or injunction." In addition, "all restraining orders, injunctions, or voids of sale with respect to timber sales will be prohibited for FY 90."

Whether this amendment is finally adopted by Congress remains to be seen. In any event, the whole controversial issue of timber harvests versus protection of old-growth forests and spotted owls seems to be entering a new, legislative phase.

Although timber-related problems seem to dominate the news, other sectors of Oregon's economy are doing quite well. Elsewhere in manufacturing, strength was widespread as no industry recorded job losses in June. Durable goods manufacturing industries, excluding lumber and wood products, was the star performer in June, adding 1,400 new workers, or 1,000 more than seasonally expected. Many of the metals firms, in particular, are running flat out supplying the booming Boeing Company which has the biggest order backlogs of any company in the world. The only sobering factors in other durable goods manufacturing in June were completion of the rocket launch towers project in Astoria (fabricated metals) and the virtual closure of a Caterpillar plant in Polk County (machinery).

In nondurable goods manufacturing, the food processing season got underway in June reflecting the start of strawberry and cherry harvesting. Employment in canning and preserving rose by 3,100, and the number of farm workers soared by nearly 26,000 over the month.

Farmers, in general, should fare well this year judging by the adequate water supplies and the June 1989 index of prices received by Oregon farmers. Compared with a year ago, prices for all farm products are up 8%, while crop prices are 12% higher, and livestock products bring 3% more.

Strawberry growers may be the exception, however. The latest forecast of strawberry production in Oregon for 1989 is 66 million pounds, 35% less than in 1988 and 29% below 1987. This primarily reflects a sharp drop in strawberry acreage from 7,800 in the last couple of years, to only 6,000 acres in 1989. Uncertainty over the availability and cost of farm labor was probably a key reason for this decline. Average yield per acre is also expected to be down this year due to last February's severe freeze.

***. . . the current labor market has, in effect, set the real "minimum wage" somewhere between $4.00-4.50 per hour.***

The paper industry continued to operate at near capacity in June, adding 400 more workers, some of whom may have been hired as vacation replacements. Although pulp and paper mills are running full tilt, the price of wood chips has soared over the past year, sharply reducing the industry's profitability. At some point, if more lumber, plywood, or veneer mills shut down, the reduced availability and higher cost of wood chips could begin to force layoffs in the paper industry where the average worker earns close to $40,000 per year.

In nonmanufacturing, most of the major industries fell short of their normal June employment gains, but were up strongly from one year ago. Construction, in particular, is having a banner year in 1989 despite much higher interest rates. Although a few major construction and repair projects were winding down in June, construction employment is expected to average about 10% higher this year compared with 1988. Heavy construction is doing particularly well, but so are other sectors, including residential building.

Nationally, higher mortgage interest rates are expected to lower 1989 housing starts by about 5%. In Oregon, however, the number of residential units authorized by building permits over the first five months of 1989 is up 67% over the same period in 1988. The bulk of this increase reflects a surge in multi-family units (+241%), especially in the Portland area, but even single-family units are running over 13% ahead of last year's pace. The value of all residential construction permits issued through May, including alterations, is 34% higher, and the value of all non-residential construction permits is up over 15% year-to-date.

One of the main reasons for Oregon's booming residential activity is the state's healthy economy. This appears to be generating much stronger population in-migration and less out-migration in 1989 than in any other year since the late 1970s. Migration data from a sample of moving companies covering the first half of 1989 compared with the same period last year indicates that the number of moves out of Oregon has declined by 29% (968 to 689) while the number of moves into Oregon jumped by 31% (1,652 to 2,156). The percent of all moves that were into Oregon, therefore, rose from 63% in 1988 to 76% so far in 1989.

Strong population growth is no doubt also a factor behind Oregon's 47,000 labor force increase over the past year. Higher labor force participation rates, especially for women and youth already resident in the state, has probably been a key factor also.

Even with this strong growth in Oregon's work force, labor shortages continue to be a growing problem in many occupations and local areas in Western and Central Oregon. Spot checks with a number of local Employment Division offices in late June indicate that skill shortages and/or plentiful job opportunities exist in many occupational categories. In fact, the strong economy in combination with demographic trends which show a sharp decline in the number of young, entry-level workers during the 1980s (see accompanying population chart) have created perhaps the best-ever job market opportunities for many disadvantaged groups. These include minorities, disabled persons, ex-offenders, public assistance recipients, and others.

Two kinds of labor shortages exist. The first category includes a whole range of relatively low-pay, low-skill jobs primarily found in the services and

trade industries. Many local Employment Division offices report that jobs paying less than $4.00-4.50 per hour are very difficult to fill. This means that the current labor market has, in effect, set the real "minimum wage" somewhere between $4.00-4.50 per hour. Employers still offering the current legal minimum wage of $3.35 are either unable to find enough workers or are experiencing a high rate of labor turnover. Although the labor market is already well ahead of the law on this issue, Oregon's legal minimum wage is scheduled to increase to $3.85 on September 1, 1989; to $4.25 on January 1, 1990; and to $4.75 on January 1, 1991.

The second category of labor shortages is more difficult to resolve and reflects strong demand for a limited supply of more highly-skilled, multi-skilled, and educated workers. Although pay and benefits are often quite attractive, there are simply not enough qualified workers to go around. Occupations in this category include all types of skilled construction trades, mechanics, millwrights, health care professionals such as registered nurses, experienced secretaries and administrative support staff, accountants, cooks, and others. The solutions to these kinds of shortages are more complex than merely raising the pay. They would include population in-migration of skilled workers; increased funding and emphasis on education and vocational training, both in the schools and on the job; better labor market information, especially on career paths, opportunities, and job openings; improved integration of educational and job training programs; and higher labor productivity, to name just a few.

To sum up, Oregon's economy at mid-year is still alive and well despite signs that the national economic expansion is reaching old age. Although the Federal Reserve is now focusing monetary policy more on preventing a recession by fostering lower interest rates and easing credit conditions, the national and state economies are likely to grow weaker in the next 6 to 12 months due to the long time lags between policy changes and their impacts on economic activity. Probably the biggest problem facing Oregon in the short-term, however, is the gridlock, or impasse, over federal forest management policies affecting the volume of timber sales and the protection of old-growth forests and the spotted owl. At least for now, employment is at an all-time high and the unemployment rate has stabilized in the low 5% range.

One year ago, I wrote an article for this publication entitled "Let The Good Times Roll!" Now, having seen the awesome power of my words come to pass, I will simply say "Let The Good Times Last!" □

# THE OREGON STRATEGIC PLAN FOR ECONOMIC DEVELOPMENT

*Duncan Wyse*

*(Editor's note: Duncan Wyse is the Manager of the Policy and Strategic Planning Office at the Economic Development Department.)*

On May 19, Governor Goldschmidt released Oregon Shines: An Economic Strategy for the Pacific Century. This report marks the beginning of a long-term effort to build a prosperous, diverse economy in Oregon, capable of competing effectively in the international marketplace.

An article in the April 1989 **Oregon Labor Trends** described the economic, technological, demographic, and institutional challenges to be confronted in the strategic economic development plan. It summarized weaknesses in our economy and performance, but revealed that, overall, Oregon is blessed with good foundations and is well-positioned for economic growth and diversification. This article outlines six strategic initiatives to take advantage of these opportunities.

The strategic plan initiatives include key areas in which Oregon can distinguish itself as an advanced economy:

1. Educate and train a superior workforce, measurably equal to any in the world by 2010;
2. Maintain and enhance Oregon's quality of life, our natural environment and uncongested cities, to attract the people and firms that will drive an advanced economy;
3. Create an international frame of mind in Oregon's business and cultural life that distinguishes Oregonians as unusually adept in global commerce.

These initiatives alone are not enough, however. They depend on the development of a generally favorable economic climate through a set of support initiatives:

1. Form institutional partnerships among business, labor, government, education, environmental and other groups;
2. Invest in public facilities and services which help businesses run more smoothly and enhance the quality of the human environment;
3. Contain costs of doing business in areas where improvements can be made consistent with delivery of quality government services.

The first key economic development initiative is improvement of workforce quality, an extremely complex issue. With increasing international economic integration, Oregon will face greater foreign competition. Our businesses will need well-trained, productive, highly adaptable and trainable workers. The alternative is to compete with developing countries which rely on low skill, very low wage labor. At the same time, the proportion of students coming from backgrounds traditionally at high risk of failure in our school system will increase dramatically. Also, as the Oregon economy changes many employees in jobs at all skill levels will require retraining or skills upgrading. The report proposes a set of programs to improve Oregonians' development, education, and training. Proposals will build effective programs by including and coordinating the efforts of parents, schools, social service and other government agencies, businesses, community organizations, and other groups. Specific programs range from parenting classes and early childhood development, to curriculum reforms which effectively impart to all students fundamental skills needed for work and lifelong learning, to stronger business-education links and more responsive continuing education programs.

The second key initiative is preservation and enhancement of Oregon's environmental quality. As businesses become less dependent on local raw materials and markets, qualities of environment and life will become more important in business location decisions. Oregon has much to offer. Our amenities include not only natural resources and recreation activities, but also attractive, uncongested cities. Report proposals build on strong existing efforts to foster and use both types of amenities. Proposals include: integration of land use, transportation, and housing planning for more effective urban growth management; extension and coordination of state natural resources management for multiple uses; targeted air, water, and hazardous waste programs to augment an excellent existing environmental management system; and further streamlining of environmental regulatory processes (e.g. development permit approval and wetlands designation) consistent with environmental quality goals.

The third key initiative is building international trade and culture in Oregon. Dramatic growth of international trade and competition is the overriding trend affecting the Oregon

economy. Merchandise exports and imports have grown from less than 10 percent of U.S. GNP in the early 1970s to about 15 percent today. U.S.-Pacific Rim trade grew from $69 billion in 1978 to $215 billion in 1987. This trend is both a competitive challenge and new market opportunity for Oregon, particularly in rapidly growing east Asian economies. The report proposes that Oregon pursue an international strategy based on its greatest strength and most important resource -- its people. The plan suggests that Oregon emphasize world language and culture curriculum at all school levels and person-to-person interactions to promote international trade. The plan concludes that from direct personal interrelations will come understanding, the sharing of ideas and experiences, and ultimately strong business connections for trade, investment, and tourism.

The report also identifies a set of support initiatives which define a program to improve Oregon's overall business climate. First, the report suggests that investment in quality government services and public facilities be a key goal for the state. These activities contribute both to the ability of businesses to operate and productivity growth generally, and to the quality of life for Oregon employees. Our reputation for high quality government facilities and services has been tarnished in the 1980s. State and local governments disinvested during the 1980-82 recession, and slow recovery and an unresponsive tax system have prevented them from making up lost ground. The report proposes analysis of the ability of both state and local governments to meet existing and emerging needs, and recommends revision of the "2 percent kicker", the state expenditure limitation, and the 6 percent limitation on local government revenue growth. The report concludes that we must find ways to more closely link state and local expenditures with needs generated by economic growth. It also proposes development of a long-term government financing strategy which includes in planning and budgeting decisions the economic benefits associated with specific improvements and the cost of foregone maintenance.

The second support initiative is containment of the cost of doing business in Oregon. Controlling business costs has always been important to business. It is becoming increasingly important as they are exposed to fiercer international competition and face shrinking profit margins. Oregon will never be the lowest cost state for doing business because we value important government services, including schools, utilities, and environmental quality programs. The state can, however, take a number of important steps to reduce business costs in a manner consistent with these values. Specific proposals include reduction of workers' compensation costs and unemployment insurance rates through better management, review of health care costs, analysis and recommendations regarding the structure and effects of Oregon tax policy, and conservation and rate restructuring programs to preserve Oregon's comparative advantage in energy costs.

Finally, the report concludes that to build a competitive economy, Oregon must develop strong partnerships among the various sectors of our economy. There is no longer any question that advanced economies derive a competitive advantage from their institutional partnerships. The strategic planning process has demonstrated that strengthening ties between Oregon industry, labor, education, government, and the environmental movement will enhance competitiveness. Our goal is to lead the nation in building partnerships which promote economic development. Important new partnerships are proposed throughout the report, including the creation of the Oregon Progress Board to review and discuss the strategic plan broadly with Oregonians; the strengthening of partnerships between schools, government, and key industry sectors through the Economic Development Department and the Science Council; and the strengthening of local government, especially in rural communities to pursue economic opportunities (through the Regional Strategies Program and a newly-created Oregon Partnerships Program). These are simply examples of a broader point: to build our economic future, we must instill a culture of cooperation in Oregon among all sectors.

In addition to these broad initiatives, the report contains a number of significant recommendations for improving the business climate of particular industries. The report is not a detailed plan for government-directed re-industrialization. Nor does it precisely forecast Oregon's future industrial structure. The pace and turbulence of change in the international economy dictate against such a strategy. Instead, the report proposes actions to support the state's largest base manufacturing industries and several newly-emerging fields which show growth potential. Specific recommendations reflect the overall tone of the report, including workforce training, development of institutional partnerships, business cost containment, and quality of life themes. Among other recommendations, this section of the report includes: improved management assistance and institutional support for small businesses; increased productivity and value added to Oregon agricultural and forest products exports; education and research support for Oregon's plastics, high technology, software, biotechnology, and metals industries; financing and organizational support of film and video producers; and increased product development and marketing efforts for Oregon's visitor industry.

The report is the state's first strategic plan for economic development. It is a living document, the beginning of a process to strengthen Oregon's institutions and make them more responsive in an era of continuing change. The report represents the thoughtful, determined work of over 180 Oregonians. Our ability to act on its proposals and achieve these economic goals will depend on the inclusion and continuing efforts of many more individuals and groups across the state. To carry the effort forward, the report proposes creation of an Oregon Progress Board. The Board will review the plan with Oregonians, recommend further refinements of these strategic initiatives, and develop key measures to chart our progress over the next 20 years. The Oregon Legislature has endorsed the Board overwhelmingly, creating the Board in statute.

The complete 210 page report is available at $10 per copy, and summaries of the report are available free of charge. Either can be ordered through the Economic Development Department (378-2281).

First, it proposes six strategic initiatives and within them recommends over 200 immediate actions. These recommendations address issues ranging from individual industry competitiveness to education and environmental programs which will directly affect every Oregonian. Second, during the coming months the Economic Development Department will present the report to business, community and other groups, and citizens statewide and solicit suggested plan modifications and other policy directions. Third, the report proposes the creation of an Oregon Development Board to further define the strategic plan in response to citizen comment and its own analysis, and to measure and report Oregon's progress toward development goals. To carry out its analysis, the Board will establish work groups of internal staff and outside experts to study critical economic development issues, and will identify emerging issues for future study.

In summary, Oregon's first strategic plan for economic development proposes that the state can best compete and meet the challenges of the 21st Century by seeking a superior work force, an attractive quality of life, and an international frame of mind. It also outlines steps for achieving this vision including forming institutional partnerships, investing in public facilities and services, and containing the costs of doing business. □

# OREGON RECEIVES FUNDS TO HELP DISLOCATED WORKERS

*Kim Dunn*

Oregon has received $1 million from the Secretary of Labor's Discretionary Funds to supplement the assistance the state provides to wood products industry workers who have lost their jobs. The funds will be administered by the Oregon Economic Development Department's Job Training Partnership Act Administration (JTPA).

These funds will enable JTPA to provide retraining, job search assistance, and support services to approximately 400 additional persons. Workers may be eligible for services if they have been, or are about to be, layed off from a company in the forest or wood products industry.

The project will operate from July 1, 1989 through December 31, 1991 through local private industry councils across the state. Funding is currently inadequate to help the number of workers dislocated by timber industry shutdowns.

The projected shortfall of timber supply threatens a long-term loss of 5,000 to 10,000 industry jobs in Oregon. Most of the job losses are expected to occur in logging, sawmill, and plywood mill operations in Southwestern Oregon and the Willamette Valley. The announced layoffs to date total nearly 3,000. Many of those people are already receiving assistance through the state's various dislocated workers programs.

Spokespersons from the JTPA Administration have stated that if these discretionary funds are inadequate to assist the increasing number of workers needing retraining services, the state may apply for additional Department of Labor discretionary funds later this year.

This $1 million grant is part of a distribution to nine states totalling $4,794,010 announced by Secretary of Labor Dole. All funds will be used for assistance to dislocated workers displaced because of mass layoffs and plant closures. □

**AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS[1]**

| | Average Weekly Earnings | | | Average Weekly Hours | | | Average Hourly Earnings | | |
|---|---|---|---|---|---|---|---|---|---|
| | May[2] 1989 | Apr.[3] 1989 | May 1988 | May[2] 1989 | Apr.[3] 1989 | May 1988 | May[2] 1989 | Apr.[3] 1989 | May 1988 |
| TOTAL MANUFACTURING[4] | $428.87 | $437.53 | $414.18 | 39.6 | 40.4 | 38.6 | $10.83 | $10.83 | $10.73 |
| Durable Goods | 434.51 | 446.08 | 421.20 | 39.9 | 41.0 | 39.0 | 10.89 | 10.88 | 10.80 |
| Lumber & Wood Products | 437.70 | 452.10 | 416.64 | 39.9 | 41.1 | 38.4 | 10.97 | 11.00 | 10.85 |
| Logging & Sawmills | 476.40 | 491.23 | 442.64 | 39.7 | 40.8 | 37.8 | 12.00 | 12.04 | 11.71 |
| Veneer & Plywood | 423.23 | 455.14 | 414.57 | 40.5 | 43.1 | 39.0 | 10.45 | 10.56 | 10.63 |
| Millwork & Structural | 357.98 | 362.10 | 349.16 | 39.6 | 40.1 | 39.1 | 9.04 | 9.03 | 8.93 |
| Mobile Homes | 336.42 | 307.02 | 333.06 | 38.1 | 35.7 | 39.0 | 8.83 | 8.60 | 8.54 |
| Other Wood Products | 423.53 | 434.28 | 402.87 | 41.0 | 42.0 | 39.0 | 10.33 | 10.34 | 10.33 |
| Furniture & Fixtures | 344.42 | 304.09 | 333.50 | 38.1 | 35.4 | 38.6 | 9.04 | 8.59 | 8.64 |
| Primary Metals | 506.60 | 520.22 | 505.40 | 42.5 | 43.1 | 41.7 | 11.92 | 12.07 | 12.12 |
| Fabricated Metals | 387.54 | 391.93 | 379.94 | 38.6 | 38.5 | 38.3 | 10.04 | 10.18 | 9.92 |
| Machinery (Ex Electrical) | 466.99 | 465.79 | 435.90 | 41.0 | 41.7 | 39.2 | 11.39 | 11.17 | 11.12 |
| Nondurable Goods | 412.93 | 413.70 | 391.65 | 38.7 | 38.7 | 37.3 | 10.67 | 10.69 | 10.50 |
| Food & Kindred Products | 342.16 | 339.84 | 319.59 | 37.6 | 37.1 | 36.4 | 9.10 | 9.16 | 8.78 |
| Canning & Preserving | 278.08 | 279.84 | 257.21 | 35.2 | 35.2 | 34.9 | 7.90 | 7.95 | 7.37 |
| Other Food Products | 419.58 | 414.36 | 396.02 | 40.5 | 39.5 | 38.3 | 10.36 | 10.49 | 10.34 |
| Textile Mill Products | 250.98 | 244.64 | 236.31 | 36.8 | 34.7 | 34.7 | 6.82 | 7.05 | 6.81 |
| Apparel | 253.24 | 256.03 | 228.60 | 38.9 | 38.5 | 36.0 | 6.51 | 6.65 | 6.35 |
| Paper & Allied Products | 679.80 | 681.86 | 636.23 | 44.0 | 44.8 | 41.1 | 15.45 | 15.22 | 15.48 |
| Printing & Publishing | 417.24 | 426.39 | 416.90 | 36.0 | 36.6 | 34.8 | 11.59 | 11.65 | 11.98 |
| Construction[4] | 551.38 | 563.26 | 497.33 | 38.0 | 38.5 | 34.9 | 14.51 | 14.63 | 14.25 |
| Communications & Utilities[5] | 558.18 | 571.30 | 544.99 | 41.5 | 42.1 | 41.1 | 13.45 | 13.57 | 13.26 |
| Trade[5] | 314.86 | 328.42 | 300.82 | 34.6 | 35.2 | 33.8 | 9.10 | 9.33 | 8.90 |
| Wholesale Trade | 415.42 | 434.07 | 403.13 | 37.8 | 39.0 | 37.5 | 10.99 | 11.13 | 10.75 |
| Retail Trade | 263.01 | 272.90 | 248.50 | 33.0 | 33.2 | 31.9 | 7.97 | 8.22 | 7.79 |
| Banking & Insurance[5] | 358.33 | 371.50 | 328.70 | 37.6 | 38.9 | 36.2 | 9.53 | 9.55 | 9.08 |
| State & Local Government | 380.21 | 384.22 | 363.38 | | | | | | |

*[1]Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1972 Standard Industrial Classification (SIC) codes.*
*[2]Preliminary*
*[3]Revised*
*[4]Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.*
*[5]Data for nonsupervisory employees only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.*

# EMPLOYERS' CORNER - ADULT EDUCATION AND LITERACY

*Dorothy Monnier*

Adult education is a field in transition. It is experiencing rapid growth as a result of social, demographic, economic, and technological factors. Several goals and issues emerge from this context:

- Increasing the literacy rate among adult Americans
- Providing training and retraining programs for adults
- Identifying and exploring issues related to the use of technology in adult education
- Improving access to educational programs for adults
- Increasing knowledge related to how adults learn.

The above goals and issues are incorporated in the Oregon State Plan for Adult Education and Literacy developed by the Oregon Office of Community College Services and the Oregon Adult Education and Literacy Advisory Committee.

### EXTENT OF THE PROBLEM

Oregon has traditionally been one of the most literate states in the nation. Although getting an exact number of illiterate people is far less important than just recognizing the existence of the problem, a recent national survey entitled Measure of Adult Education Proficiency estimates that 8% of Oregon adults, age 20 or older, are illiterate versus 13% nationally. They cannot read well enough to perform everyday tasks such as interpreting a bus schedule, filling out a job application, or filling in the income tax short form. This translates to over 150,000 persons according to the 1980 Census. According to the census, an estimated 463,030 (or 24%) adult Oregonians are out of school and did not complete high school. Of these, 181,769 have not completed the 8th grade (12.5%). The 1987 dropout rate from Oregon high schools was approximately 27% (versus 29% nationally). Although there is no direct correlation between literacy level and years of school completed, there is a correlation between lifetime earnings and years of school completed.

Oregon's adult illiteracy rate is impacted by immigrants from Southeast Asia and workers legalizing under the Immigration Reform and Control Act. The ethnic mix in Oregon's programs in 1987-88 was as follows: 2% American Indian, 11% Asian, 2% Black, 19% Hispanic, and 66% Caucasian. Since the 1980 Census, approximately 280,000 Oregon adults have received literacy training either through community colleges or through Oregon Literacy, Inc., a non-profit volunteer association. A total of 63,587 GED certificates and 6,159 Adult High School Diplomas were issued in 1980 through 1988. Community college Adult Basic Education programs and Oregon Literacy, Inc. can provide local coalition groups with the numbers served in each area. However, with a 27% dropout rate, it is not anticipated that the 1990 Census will show much of a decrease in the number of undereducated Oregonians.

### LITERACY AND ECONOMIC DEVELOPMENT

Oregon's recent high unemployment rates have impacted the undereducated, crowding them out of jobs. As the economy continues to expand and the number of young, entry-level workers declines further reflecting low birth rates in the late '60's and early '70's, employers will be forced to hire further down the unemployment queue. This will affect both productivity and wages. Adequately skilled and educated employees to fill entry-level jobs will be harder to find. Basic skills training will become increasingly important to economic development.

### LEGISLATION

In 1987, the legislature passed HB 2682 encouraging the formation of local literacy coalitions to coordinate and articulate available services. In 1989, the State Advisory Committee on Adult Education and Literacy is requesting funds to continue the Oregon Literacy Line which is currently being maintained through private donations and VISTA volunteers. Also requested is an increase in staff development and resource development for volunteer tutors in adult literacy. Higher visibility for adult literacy services through the literacy line and the expansion of literacy services by using well-trained volunteers have been identified as priorities by groups impacted by the 35% increase in literacy students in the past two years. □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